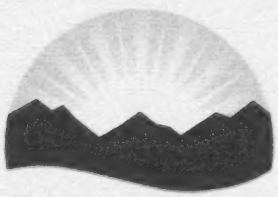
Forestry Innovation Investment Ltd.

2015/16 – 2017/18
SERVICE PLAN



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Accountability Statement

The 2015/16 – 2017/18 Forestry Innovation Investment service plan was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The plan is consistent with the government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of February 4, 2015 have been considered in preparing the plan. The performance measures presented are consistent with Forestry Innovation Investment's (FII) mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of FII's operating environment, forecast conditions, risk assessment and past performance.

Tim Sheldan

Chair of the Board

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Strategic Direction and Context

Strategic Direction

The mandate of Forestry Innovation Investment (FII) is to work with the forest industry to develop and diversify markets for B.C. forest products while promoting B.C. as a world-class supplier of environmentally-friendly forest products. As outlined in its 2015/16 Mandate Letter from the Minister of International Trade, FII will focus on four strategic priorities in the coming year:

- Update its three-year strategic plan to maintain, create and diversify demand for B.C. forest products in support of the *B.C. Jobs Plan* and aligned with the Ministry of International Trade's (MIT) International Trade and Investment Strategy.
- Coordinate operational plans with forest-industry trade associations, the Province and the Government of Canada to maximize the leverage of resources used for international marketing of B.C. forest products.
- Aggressively pioneer introduction of, and new applications for, B.C. wood products in priority markets, enhancing commercial linkages in China and paving the way for B.C. firms and their trade associations to become established in India.
- Support projects and initiatives to make B.C. a world-class centre of excellence in manufacturing and using innovative forest products and develop robust, fact-based research and communications tools to grow awareness of the environmental and technical merits of B.C. forest products.

By aligning the Company's medium-term activities with MIT's efforts in international markets, and by emphasizing a joint-delivery approach with industry, FII will ensure efficient use of resources and deliver the best value for B.C. taxpayers and forest-sector stakeholders. A copy of the Government's strategic direction to FII on Taxpayer Accountabilities Principles can be found at Taxpayer Accountability Letter.

Operating environment

International market development efforts are influenced by a wide range of factors, many outside the control of FII. These include currency exchange rates, economic growth in target markets, and local market factors that reflect demand for housing and capital construction, including interest rates, employment levels, and various types of incentive programs targeted to home buyers. Of these factors, those that influence demand in the United States, China and Japan are most significant, as these three priority markets represent more than 85 percent of international sales of B.C. wood products.

For 2015/16, stronger economic growth in the United Sates is expected to have a positive influence on performance against targets outlined in this Plan, while slower economic growth in China and, to a lesser extent in Japan, may be dampening factors. Risks to exports from slower growth in Asia will be partially offset by the reduced value of the Canadian dollar (which increases the

competitiveness of B.C. products in foreign markets) and lower oil prices which may stimulate economic growth, particularly in China. In B.C. and across North America, growing market acceptance of new generation wood technologies such as taller wood buildings, and products, such as cross-laminated timber, will bolster efforts to expand wood sales in the high-potential non-residential construction market, a performance target for FII.

During the year, global market conditions will be monitored via feedback from FII and industry in-market operations and program delivery agencies, as well as through market research. Input from provincial and federal government representative offices will also be sought. Responsive actions will be introduced for any identified risks to forecast.

For 2015/16, no significant changes are planned in FII's internal operating environment.

Performance Plan

Goals, Strategies, Measures and Targets

FII's goals, strategies, measures and targets are in alignment with the Government's strategic direction as articulated in the 2015/16 Mandate Letter from the Minister of International Trade. The FII performance plan also incorporates the principles of taxpayer accountability as specified in the Taxpayer Accountability Principles (TAP) addendum to the 2014/15 Government Letter of Expectation, including emphasis on efficiency, accountability and integrity in the delivery of all FII's programs and in managing relations with and among government, industry, the general public and employees. FII is implementing the Taxpayer Accountability Principles through specific activities as directed by Government. These include updating standards of conduct to ensure consistency amongst all public sector organizations, and participating in the Ministry of International Trade's Strategic Engagement Plan, which includes quarterly meetings among the Minister, Board chair, CEO and the Deputy Minister that focus on the organization's performance against the TAP.

FII's investments will focus on innovation and market development to strengthen the position of the forest sector in both its conventional product and market mix, and on areas of new opportunity. At the same time, FII recognizes that the opportunities presented by the development of a new generation of engineered products and building systems, and the rapid emergence of the "bio-economy", have the potential to be economic game changers for the sector, generating new wealth, more skilled jobs and greater stability for communities and workers. Through its investments, FII encourages industry efforts to move up the value chain thereby creating higher margin products and services that are harder for competitors to copy, leading to a greater component of B.C.'s product mix in these higher margin products and services.

Over the next three years FII programming will be developed to evolve with the market to reflect new opportunities for traditional solid wood and pulp-and-paper products, advanced engineered materials and building systems, and where appropriate, non-conventional, next-generation bio-products.

Goal 1: Forest products are viewed as an environmentally-friendly, preferred material, and B.C. is viewed as a reliable global supplier of quality products from sustainably-managed forests.

The primary objective of Goal 1 is to expand opportunities for B.C. forest products by positioning wood, and wood-based products from B.C., as the first choice for environmentally-friendly building materials. The strategies under Goal 1 create a solid foundation for answering "Why wood?", and "Why wood from B.C.?" – upon which many of FII's other market development investments and activities are based.

Goal 1 focuses on taking advantage of two significant trends in the marketplace – the emerging recognition of wood products as "green" and increasing demands from consumers for forest products that are produced in an environmentally-responsible manner. As customers are factoring environmental parameters into purchasing decisions, there is considerable value in articulating the benefits of wood as a sustainable, renewable building material; its advantages in creating a significantly smaller environmental footprint than other building materials; and the fact that wood and pulp-and-paper products from B.C. are manufactured by an industry that has made impressive gains in reducing its environmental footprint. These environmental benefits of wood apply equally well to higher-margin wood products manufactured in B.C.

Strategies in support of this goal are designed to build on the growing awareness of the benefits of wood products, and position B.C. as a global leader in sustaining forest resources and environmental values. This dual positioning will help strengthen awareness of, and interest in, B.C. forest products in major markets and, in turn, support greater market share, premium positioning, and easier access to new markets.

Strategies

- Proactively create and disseminate timely and factual information regarding B.C. forest products and forest practices;
- Champion science- and fact-based approaches to communicate the merits of wood and wood-based construction technologies in a green building and climate change context;
- Collaborate with forest sector stakeholders to encourage consistent and compelling messages regarding product and building innovations and reducing environmental impacts; and
- Monitor and advocate in international markets for codes, standards and policies that recognize the merits of wood and B.C. forest products.

Performance Measure 1: Customer Perceptions of B.C. Forest Products.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Per cent of customers who feel that choosing products from B.C. (Canada) is a good choice for the environment.	90%	n/a*	90%	n/a*	90%

* Surveys are conducted biennially.
Data Source: The Research Intelligence Group. "Analysis of Market Acceptance Issues", April 2014.

Discussion

Positioning British Columbia as a preferred global supplier

The measure provides an indication of the effectiveness of FII's international advocacy and communications initiatives to influence customer perceptions of B.C. and its forest management practices. Performance data are gathered through a biennial survey of international customers (e.g., large institutional pulp and paper buyers, wood importers and distributors, and carbon market stakeholders) conducted by an independent research firm. FII has seen performance strengthen over the past decade. The survey identifies the percentage of customers who feel that B.C.'s environmental reputation is as good as, or better than, the average of competing forest products jurisdictions. Because there will always be some who disagree with timber harvesting of any nature, FII believes that maintaining an "approval rate" of 90% is a laudable target.

Goal 2: Returns from B.C.'s conventional and emerging forest products are optimized in markets offering high potential.

Goal 2 drives FII's efforts to assist the B.C. forest industry in developing and diversifying markets to optimize returns by achieving a balance in the products, species, and grades to given markets. Within this goal area there is a particular focus on Asia, where markets have distinctly different profiles ranging from a high volume/low grade mix, to a medium volume/higher grade mix. The efforts of FII and its funding recipients build on the strategies, and the science and reputational foundation, developed under Goal 1.

Optimization of the global market development strategy includes creating or expanding new market segments in traditional regions (e.g., non-residential and multifamily/mid rise construction in the U.S.), as well as fostering demand in regions not currently using high volumes of B.C. forest products (e.g., the multi-family and non-residential market in China and the domestically focused re-manufacturing sector in India).

Activities associated with Goal 2 recognize the progress made in diversifying B.C. exports away from historically heavy dependence on the U.S. single-family housing sector. Programs in this goal area also focus on achieving a long-term balance between existing and emerging markets and

traditional and innovative new products, including the increase in sales of higher margin products into traditional markets such as North America.

Strategies under this goal include a mix of activities delivered by third parties and by FII[1].

Strategies

- Share the cost of market development activities crafted and delivered by trade associations, based on priorities outlined in FII's Strategic Plan and annual investment strategies;
- Engage with industry and foreign government agencies to eliminate barriers to access in foreign markets;
- Initiate early stage market development efforts in emerging economies; and
- Engage industry and institutional partners to explore market development potential for commercial or near-commercial bio-products.

Performance Measure 2: B.C. Lumber Exports to Priority Asian Markets.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
B.C. softwood lumber exports to priority Asia Pacific markets (000's of m^3).					
China	8,001	7,900	8,100	8,300	8,500
Japan	2,649	2,900	3,000	3,100	3,200
South Korea	237	265	290	315	340

Data Source: BC Stats

Discussion

B.C. exports of softwood lumber to priority Asia Pacific markets

The measure tracks the extent to which the B.C. forest industry is successful in diversifying markets with a focus on Asia for the long term. Measure 2 is an indicator of market diversity and greater overall demand in Asia. The target is weighted to sales in China, where FII investments are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as the leading exporter of sofwood lumber to China. Export volume totals are based on Statistics Canada export data compiled by BC Stats.

China:
B.C. exports to China remained strong in 2014/15 while increased value per cubic metre reflected greater demand for higher-grade lumber used in construction. FII anticipates that while volumes may not continue to increase at the rate seen in previous years, returns from China will continue to grow due to a better volume/value mix of products.

[1] FII collaborates with industry trade associations, the federal government and other funding bodies to leverage its investments for the greatest potential return for B.C. Working with those organizations, FII's objective is to strengthen demand for B.C. forest products and expand potential end-use applications.

Japan:
B.C. exports to Japan will remain largely dependent on that country's pace of housing starts; an increasing volume of lumber will be directed to meeting Japan's rapidly increasing need for senior's housing, and to non-residential construction. Modest growth in housing starts is anticipated through 2015/16, although an increase in consumption taxes softened the market in 2014/15.

South Korea:
Performance in South Korea is heavily dependant on the volume of B.C. lumber consumed in wood frame applications. 2014 has seen renewed growth in Korea's construction sector, due in part to relaxation of capital gains taxes for homeowners. The new Canada-Korea Free Trade Agreement reduces input tariffs for Canadian wood products and is expected to have a small, but positive impact on opportunities in the market.

Note: In mid-2012, FII created a subsidary company in India focused on building a new market for B.C. wood products. While India represents an exciting new opportunity for B.C. wood species, FII's market development efforts in the country remain in their infancy. During this initial market development phase, extensive research and pre-commercial efforts are helping FII and the B.C. industry assess market interest, refine entry strategies, and begin to link commercial interests in India and B.C. Performance measures specific to this pre-commercial effort are being developed and will be added in subsequent Service Plans.

Performance Measure 3: Incremental Volume Consumed in U.S. Non-Residential and Multi-Storey Residential Market.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Incremental volume consumed in targeted non-residential and multi-storey residential structures in the U.S. (millions of board feet)	306	460	580	720	800

Data Source: US Woodworks Program

Discussion

Lumber consumed in targeted non-residential and multi-storey, multi-family residential structures in the United States

Most single-family housing in North America uses wood frame construction as the primary building method. However, wood enjoys a smaller share of non-residential structures and of multi-storey, multi-family residences. The forest industry in B.C., the rest of Canada and in the U.S. have a strong interest in seeing wood products secure a much higher share of those structures.

Performance Measure 3 tracks the incremental increase in the volume of lumber used in projects where FII funded programs are involved.

The ability to achieve Performance Measures 2 and 3 is heavily contingent upon the efficacy of market development programs delivered in whole, or in part, by trade associations partially funded by FII. As part of the funding approval process, specific performance measures are set for each

project. All of these measures are directly linked to FII's broader goals and targets. For more details, please refer to FII's Performance Management Framework at www.bcfii.ca.

Goal 3: B.C. is a world-class centre of excellence in developing and using innovative wood products and building systems.

This goal supports the Province's objectives of making B.C. a centre of excellence in living and building with wood, and generating greater product value in the forest economy. These objectives are based on the realization that long-term sustainability of the forest economy includes maintaining and growing sales, as well as driving up the value of sales, through the introduction of innovative forest products, new building methods, ease of compliance with building regulations, effective knowledge transfer programs, and a competitive and capable value-added sector of the forest industry. The primary focus of efforts under Goal 3 is to create demand for B.C. wood-based products and building systems, and to develop innovative ways to meet the demand.

Goal 3 efforts are delivered primarily through the *Wood First* initiative, emanating from the Province's Working Roundtable on Forestry in 2008. The Province followed the *Wood First* initiative with the *Wood First Act* in 2009 to take a leadership position in utilizing more wood in provincially funded buildings, which is intended to further leverage products, technologies and services into the municipal and private sectors.

FII is responsible for implementing the *Wood First* initiative, with the exception of the *Wood First Act*. An independent Wood First Advisory Committee provides strategic guidance on implementation priorities.

Strategies

- Establish a "culture of living and building with wood" in B.C. by encouraging local governments to adopt supportive policies and encouraging development of related education programs;
- Maximize the appropriate use of wood in B.C.'s public and private construction by leveraging Provincial capital projects to showcase wood construction;
- Accelerate the adoption of existing and emerging wood-based products and building systems in B.C. by supporting targeted research and technical case studies and guidelines; and
- Continue to strengthen B.C.'s capability to produce competitive wood-based products and building systems by improving entrepreneurial skills in the value-added wood products industry and enhancing innovative design projects.

Performance Measure 4: Incremental Volume Consumed in B.C.'s Non-Residential Construction Sector.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Incremental Sales Generated in B.C.'s Non-Residential Construction sector (millions of board feet)	60	80	88	95	105

Data Source: Canadian Wood Council

Discussion

Incremental sales generated in B.C.'s non-residential construction sector

This measure tracks success in increasing wood usage in B.C. in construction sectors other than single-family residential (i.e., mainly in the commercial, institutional and multi-family residential sectors). The target is based on the increased volume of wood sales generated in the year through program activities funded by FII in partnership with the Canadian Wood Council, which tracks the relevant data not only in British Columbia but also across the country.

The ability to achieve Performance Measure 4 is contingent upon the performance of FII's funding recipients in their delivery of *Wood First* programming. Timely funding decisions by FII ensure that funding is available to successful proponents by the start of each fiscal year. As part of the funding approval process, performance measures are established for each project. These measures are directly linked to FII's broader goals and targets. For more details, please see FII's Performance Management Framework at www.bcfii.ca.

Goal 4: FII serves its stakeholders in a highly effective, innovative and responsive manner.

FII's business practices incorporate robust financial controls and a performance management framework including monitoring, audit and evaluation built on a comprehensive risk-assessment strategy. FII is committed to a path of environmental sustainability and minimizing its environmental footprint, in order to protect the natural environment and the B.C. economy for future generations.

Consistent with the strategic direction of Government under the Taxpayer Accountability Principles, FII will continue to place significant emphasis on delivering its primary programs and services in collaboration with the forest industry, the federal government, the research community and other provincial agencies. The objective is to leverage the expertise and financial resources unique to each key player across Canadian and international forest sectors, and to create critical mass in the development and delivery of strategic and focused market and product development programming.

Following on directives from the 2014 Core Review, FII raised industry's share of the cost of its off-shore work to 20 per cent in 2014/15 and will raise it to 25 per cent for 2015/16[2].

Strategies

- Ensure FII is efficient, transparent and results focused by:
  - keeping corporate support costs at or below 7 per cent of total budget;
  - implementing a rigorous performance management system;
  - monitoring and auditing funded projects according to explicit risk assessments.
- Integrate Taxpayer Accountability Principles across the organization and work with the Ministry of International Trade to develop strategic engagement and evaluation plans specific to the Principles;
- Continuously review priorities and strategies to ensure that programs and services stimulate innovation in products and markets and are delivered in an effective and cost-efficient manner; and
- Minimize FII's carbon footprint and promote environmentally responsible business activities.

Performance Measure 5: Timeliness of Annual Funding Cycle.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Timeliness of annual funding cycle for trade associations, research institutes, and universities.	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1

Data Source: FII

Discussion

Timeliness of annual funding cycle

About half of FII's budget is used to fund activities proposed through two annual Calls for Proposals: one for market initiatives and another for Wood First activities. The Calls typically attract some 40 proposals describing hundreds of proposed activities and detailing specific cost estimates and cost-sharing. Proposals are peer reviewed and point-ranked against pre-set evaluation criteria. Performance Measure 5 tracks how efficient FII is in managing the annual funding processes, a key objective of which is to ensure that funding is available to successful proponents by the start of each fiscal year.

[2] FII, together with the federal government, is phasing in higher cost-sharing requirements for the industry over time with a goal of achieving a balanced contribution from each program funder.

Performance Measure 6: Leveraged Funding.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Other organizations' aggregate contribution to recipient funding program[3]	65%	65%	65%	65%	65%

Data Source: FII

Discussion

Partner contributions

This measure tracks the effectiveness of FII in securing external resources to deliver market development programs at the lowest possible cost to the B.C. taxpayers, a key efficiency objective of the Government's Taxpayer Accountability Principles. The willingness of industry, the federal government and other provincial governments to contribute to market development activities is a direct indicator of the value they place on these activities, particularly at a time of severe resource constraints. Data to support the measure are sourced from the on-line recipient program system, which is co-funded and managed by FII and Natural Resources Canada, and through FII's year-end financial reporting.

In addition to industry's contribution to the on-going recipient program, FII also draws other leveraged funding for its market development programming. For 2015/16, this "other" funding will most notably include:

- up to $600,000 from Natural Resources Canada for the India market development initiative; and
- $1.8 million from the U.S.-based Softwood Lumber Board to support FII's creation and delivery of the reThink Wood initiative aimed at convincing American stakeholders to adopt new wood-based building technologies.

These "other" funds are also included in this Service Plan's forecast for 2016/17 and for 2017/18.

Performance Measures – Looking Ahead

During 2015/16 planning cycle, overall corporate performance measures will be reviewed in response to directions of the 2014 Core Review of FII, and as part of the Company's compliance with the Government's Mandate Letter and new Taxpayer Accountability Principles.

[3] In its recipient funding program FII targets annual contributions of approximately 65% from other organizations; however, contributions from others vary from 0 to 85%, depending on the specific activity. Contributions from individual organizations can also fluctuate considerably across fiscal years, depending on their programming priorities and budgets.

Financial Plan

Summary Financial Outlook Table

	Actual 13/14	Projected 14/15	Budget 15/16	Budget 16/17	Budget 17/18
Revenue ($000's)					
Contribution from the Province of BC	17,306	17,000	17,370	17,370	17,370
Contribution from the Federal Government	731 [1]	850 [1]	700	700	700
Other Revenue [2]	678	900	2,000	2,000	2,000
	18,715	18,750	20,070	20,070	20,070
Expenses ($000's)					
Funding Recipient Initiatives	9,140	8,800	8,800	8,800	8,800
Market Initiatives and Outreach					
Government Initiatives and Outreach	3,761	3,695	5,220	5,200	5,200
China Market Development	2,708	2,964	2,928	3,000	3,000
India Market Development	1,532	2,077	1,872	1,800	1,800
Corporate Services	1,181	1,214	1,250	1,270	1,270
	18,322	18,750	20,070	20,070	20,070
Excess of Revenue over Expenses	393	-	-	-	-
Retained Earnings, end of year	2,217	2,217	2,217	2,217	2,217
Capital Expenditures	238	225	100	50	50
Total Liabilities	2,100 [3]	2,000	1,900	1,900	1,900

Note 1 Approximately $600,000 is a contribution from Natural Resources Canada towards the India Initiative
Note 2 Includes contributions from organizations such as: industry, other governments and deferred revenue arising out of restricted capital contributions
Note 3 Includes $1.45 million accounts payable and accrued liabilities as well as $650,000 deferred contributions

Key Forecast Assumptions

The continuity of FII's investments, programming and activities continues to depend upon receipt of funds from the Ministry of International Trade.

FII assumes that industry trade associations, research institutes and universities will continue to propose eligible and acceptable activities for FII funding and that partial funding for these activities will account for approximately half of FII's expenditures.

Forecast Risks and Sensitivities

FII funds extensive market development programming in off shore markets, particularly in Asia. As a result, the Company is subject to foreign exchange risk through its program payables and advances, and a portion of the Company's program costs, which are denominated in Chinese Renminbi, Indian Rupee, United States dollars and other foreign currencies. While FII manages exposure to currency risk by monitoring assets and liabilities denominated in foreign currencies and by purchasing foreign denominated currency when market conditions are favourable, the recent

downward trend in the value of the Canadian dollar against the U.S. dollar has increased exchange rate risk[4].

Additional Financial Notes

Subsidiaries

See the FII Consulting (Shanghai) Co. Ltd. and Forestry Innovation Consulting India Private Ltd. financial outlook (appendix B – Active Subsidiaries). Funding for these subsidiary companies is by way of consulting fee invoices to the parent company in Canada (FII Ltd.).

Capital Initiatives

The capital expenditures projected for the next three years relate to normal replacement of computer equipment.

Non-Disclosure of Information

Consideration of the *Freedom of Information and Protection of Privacy Act* has not caused FII to withhold any information in this Service Plan.

Management Perspective on Financial Outlook

Revenue and Budget Allocations:

For 2015/16, FII anticipates receiving $17.37 million in cash funding from the Province, $0.7 million from Natural Resources Canada to offset costs of FII India and other market development initiatives, and approximately $2.0 million from other sources. On that basis, the total will be $1.32 million more than projected for 2014/15. The majority of the increase will arise because the Chicago-based Softwood Lumber Board will provide significantly more support for FII assuming a greater role in promoting wood frame construction in the United States through the *reThink Wood* program.

As usual, about half of FII's available funding will be used to share the cost of activities proposed and delivered by not-for-profit organizations that responded to FII's most recent market development and Wood First calls for proposals. The budget allocation in 2015/16 for such funding recipients will be $8.8 million, the same as in 2014/15. Other budget allocations will be:

- FII China: $2.93 million;
- FII India: $1.87 million;
- FII Vancouver's Government Initiatives and Outreach: $5.2 million;
- Corporate support: $1.25 million.

[4] For example, the value of the Chinese Renminbi is roughly pegged against the U.S. dollar. Consequently, increases or decreases in the value of the U.S. dollar relative to other currencies can affect the value of the Renminbi against the Canadian dollar.

In past years, funding recipients have always delivered fewer projects than anticipated. Hence the cost to FII has always been less than provided for the initial budget allocation. To the extent this pattern is repeated in 2015/16, the budget for FII Vancouver's internal initiatives, including in the Wood First program, will be increased during the year.

Operations

FII will continue to rely heavily on trade associations to develop and deliver market development programs based on country-specific strategies and quantified sales objectives for each product line and identified end-use. In particular, activities in China will be based on a significant updating of the market development strategy in early 2015. By the start of the next fiscal year, FII expects to have received the results of in-depth studies of the market potential in Thailand, Vietnam, Indonesia and the Philippines. This information may trigger planning of new initiatives in Southeast Asia.

FII China staff will focus on building deeper and broader relationships with Chinese government officials at all levels, as well as with State-owned real estate development companies. Staff and contractors will provide "front-end" support for wood frame design and engineering, while the B.C. trade associations will continue to provide "downstream" support with technical training, assistance in changing building codes and fire codes, and on-site construction quality support.

FII India's employees and contractors will extend their outreach to Indian wood users, gathering detailed knowledge of the best commercial prospects, potential customers and distribution channels. They will actively encourage B.C. industry representatives to visit India and establish commercial contacts.

In carrying out its international market development planning and delivery, FII will continue to work in collaboration with the ministries and agencies of the B.C. Government to ensure that activities support the broader Government plans for market expansion in Asia and elsewhere.

All budget information in this Service Plan is consistent with funding approved by Government, and with information provided in the Government's fiscal plan.

Appendix A –Additional Information

Corporate governance

FII is responsible to the Minister of International Trade through a four-member Board of Directors. The Government appoints the Board to set operational policy, and in cooperation with senior management, to set strategic direction. The Board monitors FII's performance based on the Province's planning and reporting principles. The Board appoints the Chief Executive Officer and delegates responsibility to the CEO for the day-to-day leadership and management of the organization.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations. As recommended in the guidelines, FII's disclosure, including its Status of Concurrence with Best Practices Guidelines is available on the Company's website at www.bcfii.ca. As detailed in the Status of Concurrence report, FII is substantially in accordance with governance best practices as set out by the Province's Board Resourcing and Development Office.

Full details on the role and membership of the Board of Directors, as well as corporate reports, and details on adherence to the requirements of the Board Resourcing and Development Office are available on the www.bcfii.ca web site.

Organizational overview

FII works with the forest industry, the Government of Canada, research institutions, and other stakeholders to deliver forward looking, innovative market development programs. To provide the best value to taxpayers and stakeholders, and reflecting the Province's Taxpayer Accountability Principles, FII uses a joint delivery model for program delivery. This approach takes advantage of industry expertise and marketing networks, and ensures that program costs are shared with other organizations.

Details on the mandate of FII, its vision, mission and values, and its organizational structure are available on the www.bcfii.ca web site.

Further information on Forestry Innovation Investment is also available at www.bcfii.ca. A *Report to Stakeholders* published in November 2014 highlights accomplishments in major markets around the world. Previous Service Plans and Service Plan Annual Reports are available at www.bcfii.ca.

Comprehensive information about B.C.'s sustainable forest management practices and products is available at www.naturallywood.com, with links to many forest-product companies and trade associations.

Appendix B – Active Subsidiaries

FII operates the following two subsidiary companies:

FII Consulting (Shanghai) Co. Ltd. (wholly owned by Forestry Innovation Investment Ltd.)

Primary business: Supporting the B.C. forest industry by providing market research, technical wood frame building expertise and related liaison with Chinese government authorities on behalf of the B.C. forest sector.

Objective: To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

Governance: Sole Executive Director: Ken Baker, CEO, FII

Senior Management: Lisa Dou, General Manager

	Actual 13/14	Projected 14/15	Budget 15/16	Budget 16/17	Budget 17/18
Revenue ($000's)					
Contribution from Forestry Innovation Investment Ltd.	2,708	2,964	2,928	3,000	3,000
	2,708	2,964	2,928	3,000	3,000
Expenses ($000's)					
China Market Development	2,708	2,964	2,928	3,000	3,000
	2,708	2,964	2,928	3,000	3,000
Excess of Revenue over Expenses	-	-	-	-	-
Retained Earnings, end of year	-	-	-	-	-

FII Consulting India Private Limited (jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.[5])

Primary business: Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, providing intermediation with India regulatory authorities, and providing direct support for B.C. companies entering the India market.

Objective: To establish a new market for B.C. wood products in India by creating demand for lumber suitable to the manufacture of furniture, doors and windows, interior millwork and other non-structural products.

[5] This joint ownership exists to meet India's requirement that there be at least two shareholders of a foreign-owned company.

Governance: Four-member Board of Directors:

- Michael Loseth (Chair), Chief Operating Officer, FII
- Ken Baker, CEO, FII
- Douglas Greig, Vice President and Chief Financial Officer, FII
- Mahadev Mulgir, Financial Administrator, FII India

Senior Management: Pranesh Chhibber, Country Director, FII India

	Actual 13/14	Projected 14/15	Budget 15/16	Budget 16/17	Budget 17/18
Revenue ($000's)					
Contribution from Forestry Innovation Investment Ltd.	1,532	2,077	1,872	1,800	1,800
	1,532	2,077	1,872	1,800	1,800
Expenses ($000's)					
India Market Development	1,532	2,077	1,872	1,800	1,800
	1,532	2,077	1,872	1,800	1,800
Excess of Revenue over Expenses	-	-	-	-	-
Retained Earnings, end of year	-	-	-	-	-

Non-Active Subsidiary

FII maintains a non-operating subsidiary company, **0939031B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (reflecting India legislation that requires foreign-owned companies to have at least two shareholders).